

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Mount Clemens Public Library	County Macomb
Fiscal Year End June 30, 2006	Opinion Date August 18, 2006	Date Audit Report Submitted to State December 21, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES  
NO

**Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) THE REHMANN GROUP		Telephone Number 248.952.5000		
Street Address 5750 NEW KING ST SUITE 200		City TROY	State MI	Zip 48098
Authorizing CPA Signature Thomas E. Darling, CPA <small>Digitally signed by Thomas E. Darling, CPA. DN: cn=Thomas E. Darling, CPA, o=REHMANN ROBBINS, email=tdarling@rehmann.com Date: 2006.12.21 15:24:29 -0500</small>		Printed Name Thomas E. Darling		License Number A246550

**MOUNT CLEMENS PUBLIC LIBRARY**  
**Mount Clemens, Michigan**

**ANNUAL**  
**FINANCIAL REPORT**

**For the Year Ended June 30, 2006**

**MOUNT CLEMENS PUBLIC LIBRARY**  
**Mount Clemens, Michigan**

**ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2006**

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# REHMANN ROBSON

*Certified Public Accountants*

A member of THE REHMANN GROUP

An Independent Member of Baker Tilly International

## INDEPENDENT AUDITORS' REPORT

August 18, 2006

To the Board of Trustees  
Mount Clemens Public Library  
Mount Clemens, Michigan

We have audited the accompanying financial statements of the governmental activities and the major fund of the **Mount Clemens Public Library** (the "**Library**"), as of and for the year ended June 30, 2006, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the **Mount Clemens Public Library**, as of June 30, 2006, and the respective changes in financial position, thereof and the budgetary comparison of the General Fund for the year then ended in conformity with accounting principles general accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 18, 2006, on our consideration of the **Library's** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over

financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis listed in the table of contents on pages 3-9 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style with a large initial 'L'.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**MOUNT CLEMENS PUBLIC LIBRARY**  
**Mount Clemens, Michigan**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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As management of the Mount Clemens Public Library (the "Library"), we offer readers of the Library's financial statements this narrative overview and analysis of the financial activities of the Library for the fiscal year ended June 30, 2006. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the financial statements and notes to the financial statements.

**Financial Highlights**

- Total net assets increased by \$8,906 for a total ending balance of \$1,520,676 at the end of the fiscal year.
- General fund balance increased by \$52,990 for an ending total fund balance of \$386,213 and unreserved fund balance of \$386,213 at the end of the fiscal year.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Library financial statements. The Library basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the Library finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Library assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Library is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

The government-wide financial statements include only the Library itself (known as the *primary government*), and there are no legally separate component units for which the Library is financially accountable.

**MOUNT CLEMENS PUBLIC LIBRARY**  
**Mount Clemens, Michigan**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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The government-wide financial statements can be found in the last column on pages 10 and 12 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Library, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Library's only fund, the General Fund, is considered a governmental fund.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Library maintains only a general fund and as such it is considered a major fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for this fund.

The Library adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided herein to demonstrate compliance with that budget.

The basic governmental fund financial statements can be found in the beginning column on the Statement of Net Assets and Governmental Fund Balance Sheet, and the Statement of Activities and Governmental Revenues, Expenditures and Changes in Fund Balances as noted in the table of contents.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found as noted in the table of contents of this report.



**MOUNT CLEMENS PUBLIC LIBRARY**  
**Mount Clemens, Michigan**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's economic position. In the case of the Library, assets exceeded liabilities by \$1,520,676 at the close of the fiscal year.

By far the largest portion of the Library's net assets reflects its investment in capital assets (e.g., buildings, equipment, furniture and books), less any related debt used to acquire those assets that is still outstanding. The Library uses these capital assets to provide services to residents; consequently, these assets are *not* available for future spending. Although the Library investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay any debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Library Net Assets		
	2006	2005
Current and other assets	\$ 409,360	\$ 370,098
Capital assets, net	<u>1,296,457</u>	<u>1,341,531</u>
Total assets	<u>1,705,817</u>	<u>1,711,629</u>
Long-term liabilities outstanding	161,264	162,499
Other liabilities	<u>23,877</u>	<u>37,360</u>
Total liabilities	<u>185,141</u>	<u>199,859</u>
Net assets		
Invested in capital assets, net		
of related debt	1,191,457	1,226,531
Unrestricted	<u>329,219</u>	<u>285,239</u>
Total net assets	<u>\$1,520,676</u>	<u>\$1,511,770</u>

Library Activities		
	2006	2005
Revenue		
Current and other assets	\$1,415,305	\$1,360,769
Other revenues	<u>114,047</u>	<u>154,592</u>
Total revenue	<u>1,529,352</u>	<u>1,515,361</u>

**MOUNT CLEMENS PUBLIC LIBRARY**  
**Mount Clemens, Michigan**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

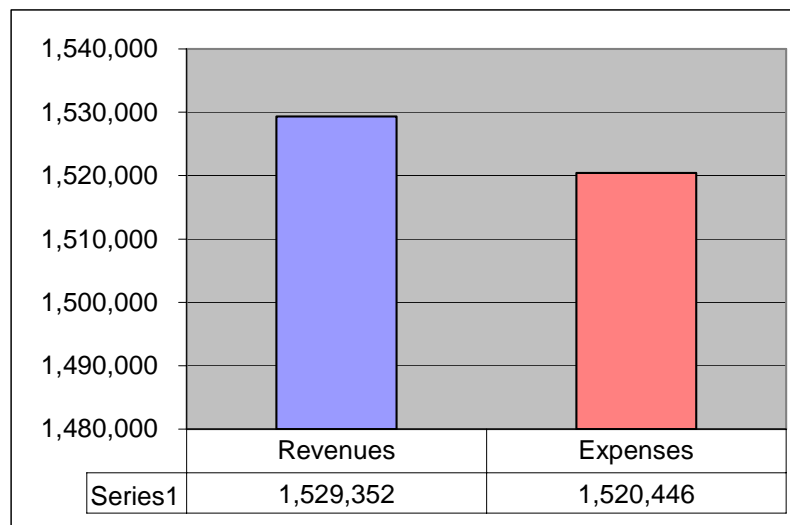
	<u>2006</u>	<u>2005</u>
Expenses		
Contracted wages and benefits	\$1,114,664	\$1,056,045
Other expenses	270,330	298,273
Depreciation	<u>135,452</u>	<u>135,542</u>
Total expenses	<u>1,520,446</u>	<u>1,489,860</u>
Increase in net assets	8,906	25,501
Net assets, beginning of year	<u>1,511,770</u>	<u>1,486,269</u>
Net assets, end of year	<u>\$1,520,676</u>	<u>\$1,511,770</u>

**Governmental activities.**

The Library's net assets increased by \$8,906 or 1% from the previous year. Key elements of this increase are as follows:

- The increase in revenues, primarily from property taxes, exceeded operating expenses due to a reduction in depreciation expense as compared to the prior year.

**Revenues and Expenses - Governmental Activities**

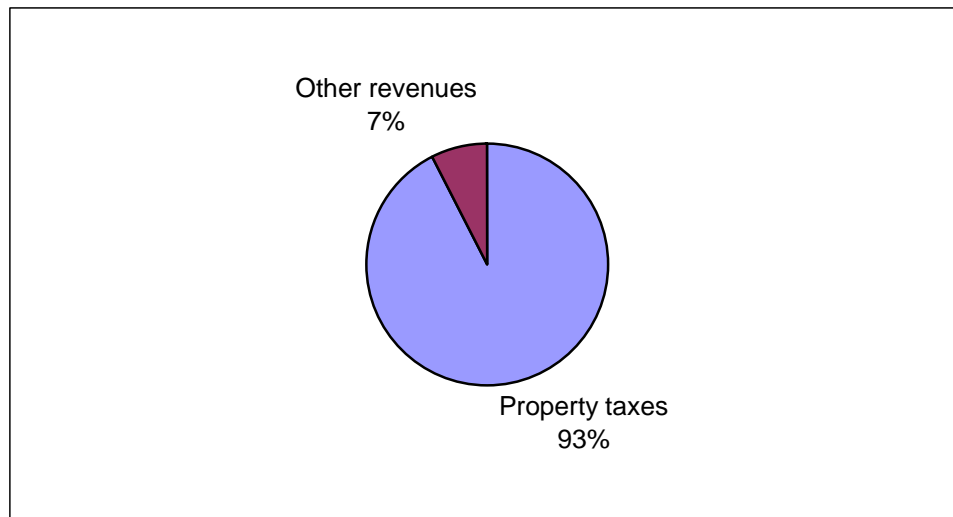


**MOUNT CLEMENS PUBLIC LIBRARY**  
Mount Clemens, Michigan

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**Revenues by Source - Governmental Activities**



**Financial Analysis of the Government's Funds**

As noted earlier, the Library uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

*Governmental funds.* The focus of the Library *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Library financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Library's governmental fund reported an ending fund balance of \$386,213 , an increase of \$52,990 compared with prior year.

The general fund is the chief operating fund of the Library. The unreserved fund balance of the general fund was \$386,213 at the end of the fiscal year. As a measure of the general fund's liquidity, it may be useful to compare the unreserved fund balance to total fund expenditures. Unreserved fund balance represents 26.2% of total general fund expenditures for the year.

**MOUNT CLEMENS PUBLIC LIBRARY**  
**Mount Clemens, Michigan**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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As noted above the fund balance increased by \$52,990 during the fiscal year. Key factors are as follows:

- Property tax revenues increased by over expected amounts by approximately \$23,000.
- Contracted service expenditures were under expectations by approximately \$31,000.

**General Fund Budgetary Highlights**

Differences between original budget and the final amended budget revenues did not change during the year.

Actual to budget variances were relatively minor for the year. Total revenue was over budgeted amounts by approximately \$12,300 due primarily to increases in property tax revenues. Total expenditures were under budget by approximately \$15,600 due primarily to decreases in expected operating supplies and contracted service expenditures.

**Capital Asset and Debt Administration**

**Capital assets.** The Library's investment in capital assets as of June 30, 2006, amounts to \$1,296,457 (net of accumulated depreciation). This investment in capital assets includes buildings and improvements, land improvements, furniture and equipment, and library materials. The total decrease in the Library's investment in capital assets for the current fiscal year was \$45,074 or 3.4%.

Major capital asset events during the current fiscal year included the following:

- Building and improvements along with furniture and equipment purchases were made related to the renovation project.

<u>Library Capital Assets</u> (net of accumulated depreciation)		
	<u>2006</u>	<u>2005</u>
Buildings and improvements	\$1,081,990	\$1,126,812
Land improvements	2,865	-
Furniture and equipment	41,404	40,662
Books and audio visual	<u>170,198</u>	<u>174,057</u>
Total capital assets, net	<u>\$1,296,457</u>	<u>\$1,341,531</u>

**MOUNT CLEMENS PUBLIC LIBRARY**  
**Mount Clemens, Michigan**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Additional information on the Library capital assets can be found in the notes to the financial statements.

**Long-term debt.** The Library had total bonded debt outstanding of \$105,000 at the end of the fiscal year. The total of this amount is backed by the full faith and credit of the Library.

During the year the Library issued no new debt and paid approximately \$10,000 of principal on debt outstanding at July 1, 2005.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10% of the State Equalized Value. The current debt limitation for the Library is approximately \$13,000,000.

Additional information on the Library long-term debt can be found in the notes to the financial statements.

**Economic Factors and Next Year's Budgets and Rates**

- The 2006-07 budget estimates total revenues at approximately \$1,638,000, an increase of approximately \$108,000 due primarily to anticipated increases in property tax revenues.
- 2006-07 budgeted expenditures total \$1,600,200, an increase of approximately \$124,000 due to an anticipated increase in contracted wages and benefits..

**Requests for Information**

This financial report is designed to provide a general overview of the Library finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Executive Director, 150 Cass Avenue, Mount Clemens, Michigan 48043.

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## **BASIC FINANCIAL STATEMENTS**

**MOUNT CLEMENS PUBLIC LIBRARY  
MOUNT CLEMENS, MICHIGAN**

**STATEMENT OF NET ASSETS AND  
GOVERNMENTAL FUNDS BALANCE SHEET  
JUNE 30, 2006**

	<b>General Fund</b>	<b>Adjustments</b>	<b>Statement of Net Assets</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 401,230	\$ -	\$ 401,230
Accounts receivable	8,130	-	8,130
Capital assets, net of accumulated depreciation	-	1,296,457	1,296,457
<b>Total assets</b>	<b><u>\$ 409,360</u></b>	<b><u>\$ 1,296,457</u></b>	<b><u>\$ 1,705,817</u></b>
<b>LIABILITIES</b>			
Accounts payable	\$ 12,418	\$ -	\$ 12,418
Accrued expenses	10,729	-	10,729
Accrued interest	-	730	730
Long-term debt:			
Due within one year	-	10,000	10,000
Due after one year	-	151,264	151,264
<b>Total liabilities</b>	<b><u>23,147</u></b>	<b><u>161,994</u></b>	<b><u>185,141</u></b>
<b>FUND BALANCES/NET ASSETS</b>			
Fund balances:			
Reserved for:			
Prepays	-	-	-
Unreserved/undesignated	386,213	(386,213)	-
Total fund balances	386,213	(386,213)	-
<b>Total liabilities and fund balances</b>	<b><u>\$ 409,360</u></b>		
Net assets:			
Invested in capital assets, net of related debt		1,191,457	1,191,457
Unrestricted		329,219	329,219
<b>Total net assets</b>		<b><u>\$ 1,520,676</u></b>	<b><u>\$ 1,520,676</u></b>

The accompanying notes are an integral part of these financial statements.

**MOUNT CLEMENS PUBLIC LIBRARY**  
**MOUNT CLEMENS, MICHIGAN**

**RECONCILIATION OF FUND BALANCES ON THE BALANCE SHEET**  
**FOR GOVERNMENTAL FUNDS TO NET ASSETS OF**  
**GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET ASSETS**  
**JUNE 30, 2006**

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Fund balances - general fund	\$ 386,213
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Amounts reported for governmental activities in the statement of net assets  
are different because:

Capital assets used in governmental activities are not financial resources  
and therefore are not reported in the funds.

Add: capital assets	5,543,569
Deduct: accumulated depreciation	(4,247,112)

Certain liabilities, such as bonds payable, accrued interest on bonds  
payable and accrued compensated absences, are not due and payable in  
the current period and therefore are not reported in the funds.

Deduct:	
Bonds payable	(105,000)
Accrued interest on bonds payable	(730)
Accrued compensated absences	(56,264)

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<b>Net assets of governmental activities</b>	<b><u>\$ 1,520,676</u></b>
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The accompanying notes are an integral part of these financial statements.



**MOUNT CLEMENS PUBLIC LIBRARY**  
**MOUNT CLEMENS, MICHIGAN**

**STATEMENT OF ACTIVITIES AND  
GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2006**

	<b>General Fund</b>	<b>Adjustments</b>	<b>Statement of Activities</b>
<b>REVENUES</b>			
Property taxes	\$ 1,415,305	\$ -	\$ 1,415,305
State shared revenue	57,929	-	57,929
Local revenue	24,300	-	24,300
Investment earnings	1,750	-	1,750
Contributions and memorials	1,417	-	1,417
Other revenues	28,651	-	28,651
Total general revenues	<u>1,529,352</u>	<u>-</u>	<u>1,529,352</u>
<b>EXPENDITURES/EXPENSES</b>			
Contracted wages and benefits	1,105,899	8,765	1,114,664
Operating supplies	71,942	-	71,942
Contracted services	281,105	(90,378)	190,727
Other expenditures	2,783	-	2,783
Depreciation	-	135,452	135,452
Debt service:			
Principal	10,000	(10,000)	-
Interest expense	4,633	245	4,878
Total expenditures/expenses	<u>1,476,362</u>	<u>44,084</u>	<u>1,520,446</u>
Revenues over (under) expenditures	52,990	(52,990)	-
Change in net assets	-	8,906	8,906
Fund balance/net assets, beginning of year	<u>333,223</u>	<u>1,178,547</u>	<u>1,511,770</u>
<b>Fund balance/net assets, end of year</b>	<u><b>\$ 386,213</b></u>	<u><b>\$ 1,134,463</b></u>	<u><b>\$ 1,520,676</b></u>

The accompanying notes are an integral part of these financial statements.

**MOUNT CLEMENS PUBLIC LIBRARY  
MOUNT CLEMENS, MICHIGAN**

**RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2006**

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Net change in fund balances - general fund	\$ 52,990
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add: capital outlay	90,378
Deduct: depreciation expense	(135,452)

Repayment of bond principal is an expenditure in the governmental funds but the repayment reduces long-term liabilities in the statement of activities

Add: bond principal payments	10,000
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Deduct: change in accrued interest payable	(245)
Deduct: increase in accrual of compensated absences	(8,765)

<b>Change in net assets of governmental activities</b>	<b><u>\$ 8,906</u></b>
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The accompanying notes are an integral part of these financial statements.

**MOUNT CLEMENS PUBLIC LIBRARY  
MOUNT CLEMENS, MICHIGAN**

**GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2006**

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Variance with Final Budget- Positive (Negative)</b>
<b>GENERAL REVENUES</b>				
Property taxes	\$ 1,392,028	\$ 1,392,028	\$ 1,415,305	\$ 23,277
State shared revenue	60,000	60,000	57,929	(2,071)
Local revenue	40,000	40,000	24,300	(15,700)
Investment earnings	1,000	1,000	1,750	750
Contributions and memorials	2,000	2,000	1,417	(583)
Other revenues	22,000	22,000	28,651	6,651
Total general revenues	1,517,028	1,517,028	1,529,352	12,324
<b>EXPENDITURES</b>				
Contracted wages and benefits	1,070,000	1,070,000	1,105,899	(35,899)
Operating supplies	89,000	89,000	71,942	17,058
Contracted services	312,368	312,368	281,105	31,263
Other expenditures	4,000	4,000	2,783	1,217
Debt service:				
Principal	12,000	12,000	10,000	2,000
Interest expense	4,633	4,633	4,633	-
Total expenditures	1,492,001	1,492,001	1,476,362	15,639
<b>NET CHANGE IN FUND BALANCES</b>	<b>25,027</b>	<b>25,027</b>	<b>52,990</b>	<b>27,963</b>
Fund balance/net assets, beginning of year	333,223	333,223	333,223	-
<b>Fund balance/net assets, end of year</b>	<b>\$ 358,250</b>	<b>\$ 358,250</b>	<b>\$ 386,213</b>	<b>\$ 27,963</b>

The accompanying notes are an integral part of these financial statements.

**MOUNT CLEMENS PUBLIC LIBRARY**  
**Mount Clemens, Michigan**

**NOTES TO THE FINANCIAL STATEMENTS**

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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The Mount Clemens Public Library (the “Library”) was organized in 1994 and is considered a local governmental unit. It is governed by a seven member board of trustees.

The Library’s borders encompass the City of Mount Clemens and a portion of Clinton Township. Properties in each governmental unit are assessed as of December 31 and the related property taxes become a lien on July 1 of the following year. These taxes are considered delinquent on March 1 of the subsequent year, at which time penalties and interest are assessed.

The Library has determined that no entities should be consolidated into its basic financial statements as component units. The criteria for including a component unit include entities for which the government is considered to be financially accountable. Therefore, the reporting entity consists only of the primary government.

**B. Library-Wide and Fund Financial Statements**

The Library-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of the interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The major individual governmental fund is reported as a separate column in the fund financial statements.

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The Library-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when

**MOUNT CLEMENS PUBLIC LIBRARY**  
**Mount Clemens, Michigan**

**NOTES TO THE FINANCIAL STATEMENTS**

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earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes received, intergovernmental revenues and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Library.

The Library reports the following major governmental fund:

The *General Fund* is the Library's only fund. It accounts for all financial resources of the general government.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the Library-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The Library has elected not to follow subsequent private-sector guidance.

When both restricted and unrestricted resources are available for use, it is the Library's policy to use restricted resources first, then unrestricted resources as they are needed. There is no exception to this policy.

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**D. Assets, Liabilities, and Net Assets**

**1. *Deposits and investments***

The Library's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the Library to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury and agencies, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments.

Investments are reported at fair value.

**2. *Receivables and payables***

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). There were no such interfund loans outstanding as of year end. All other outstanding balances between funds are reported as "due to/from other funds."

**3. *Capital assets***

Capital assets, which include building and building improvements, land improvements, library books and AV materials, and furniture and equipment, are reported in the Statement of Net Assets column in the basic financial statements. Capital assets are defined by the Library as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed. No such interest expense was incurred during the current fiscal year.

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Capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	7-50
Furniture and equipment	5-20
Library books and audiovisual materials	5-10

**4. *Compensated absences***

The Library allows workers to accumulate earned but unused vacation pay benefits under an agreement with Mount Clemens Public Schools. All vacation pay is accrued when incurred in the library-wide financial statements. A liability for these amounts is reported in governmental funds only for eligible worker terminations as of year end.

**5. *Long-term obligations***

In the Library-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**6. *Fund equity***

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**MOUNT CLEMENS PUBLIC LIBRARY**  
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**NOTES TO THE FINANCIAL STATEMENTS**

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**II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Budgetary Information**

The general fund is under formal budgetary control. Budgets are adopted on a basis consistent with GAAP, and are not significantly different from the modified accrual basis used to reflect actual results, and consist only of those amounts contained in the formal budget as originally adopted and as amended by the Board. The budget for the General Fund is adopted on a categorical level.

**B. Excess Expenditures Over Appropriations**

During the year ended June 30, 2006, actual appropriations for contracted wages and benefits of \$1,105,899 exceed the budgeted amount of \$1,070,000 by \$35,899.

**III. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

	<u>Deposits</u>	<u>Investments</u>	<u>Total</u>
Financial statement captions:			
Cash and cash equivalents	<u>\$ 393,137</u>	<u>\$ 8,093</u>	<u>\$ 401,230</u>

***Statutory Authority***

**The Library is authorized by statute to invest surplus funds in the following:**

- a. Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- c. Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase.
- d. Bankers' acceptances of United States banks.
- e. Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.



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**NOTES TO THE FINANCIAL STATEMENTS**

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- f. Mutual funds registered under the Investment Company Act of 1940, limited to mutual fund securities whose intention is to maintain a net asset value of \$1.00 per share.
- g. External investment pools as authorized by Public Act 20 as amended through 12/31/97.

The Board of Trustees is authorized to designate depositories for the Authority's funds, and to determine that the funds are invested in accordance with State of Michigan statutory authority.

The Library's deposits are in accordance with statutory authority.

**Investment and Deposit Risk**

*Interest Rate Risk.* State law limits the allowable investments and the maturities of some of the allowable investments as identified in the list of investments above. The Library's investment policy does not have specific limits in excess of State law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit Risk.* State law limits investments to specific government securities, certificates of deposit and bank accounts with qualified institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments above. The Library's investment policy does not have specific limits in excess of state law on investment credit risk.

*Custodial Credit Risk - Deposits.* Custodial credit risk is the risk, that in the event of a bank failure, the Library's deposits may not be returned. State law does not require, and the Library does not have, a policy for deposit custodial credit risk. As of year-end, \$293,137 of the \$393,137 bank balance was exposed to custodial credit risk because it was uninsured and uncollateralized.

*Custodial Credit Risk - Investments.* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Library will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require, and the Library does not have, a policy for investment custodial credit risk. The Library's total investment of \$8,093 in a short-term investment pool is registered with the Securities Exchange Commission (the "SEC"). The investment pools operate in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares. The short-term investments are not

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required to be classified according to custodial credit risk since they are not evidenced by securities that exist in physical or book entry form.

*Concentration of Credit Risk.* State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments above. The Library's investment policy does not have specific limits in excess of State law on concentration of credit risk. All investments held at year-end are reported above.

**B. Receivables**

Receivables as of year end for the major fund is considered 100% collectible and to be collected within one year. Accordingly, no allowance for uncollectible receivables has been established.

**C. Capital Assets**

Capital assets activity for the year ended June 30, 2006 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets being depreciated				
Buildings and improvements	\$1,870,545	\$ -	\$ -	\$ 1,870,545
Library books and AV materials	3,527,685	78,343	-	3,606,028
Land improvements	-	3,000	-	3,000
Furniture and equipment	<u>54,961</u>	<u>9,035</u>	-	<u>63,996</u>
Total capital assets being depreciated	5,453,191	90,378	-	5,543,569
Less accumulated depreciation				
Buildings and improvements	(743,733)	(44,822)	-	(788,555)
Library books and AV materials	(3,353,628)	(82,202)	-	(3,435,830)
Land improvements	-	(135)	-	(135)
Furniture and equipment	<u>(14,299)</u>	<u>(8,293)</u>	-	<u>(22,592)</u>
Total accumulated depreciation	(4,111,660)	(135,452)	-	(4,247,112)
Total capital assets being depreciated, net	<u>1,341,531</u>	<u>(45,074)</u>	-	<u>1,296,457</u>
Governmental activities				
Capital assets, net	<u>\$1,341,531</u>	<u>\$(45,074)</u>	<u>\$ -</u>	<u>\$ 1,296,457</u>

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**Mount Clemens, Michigan**

**NOTES TO THE FINANCIAL STATEMENTS**

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**D. Long-Term Debt**

In 2004 the Library issued Limited Tax General Obligation Bonds to fund improvements to the Library's facility. General obligation bonds are direct obligations and pledge the full faith and credit of the Library. The refunding bonds were issued as a 12 year serial bond with varying amounts of principal due and interest ranging from 2.3% to 4.95% due each year.

Annual debt service requirements to maturity for the general obligation refunding bonds are as follows:

<u>June 30</u>	<u>Principal Amount</u>	<u>Interest Amount</u>
2007	\$ 10,000	\$ 4,383
2008	10,000	4,103
2009	10,000	3,783
2010	10,000	3,433
2011	10,000	3,043
2012-2016	<u>55,000</u>	<u>8,480</u>
Total	<u>\$105,000</u>	<u>\$ 27,225</u>

***Changes in long-term debt***

Long-term liability activity for the year ended June 30, 2006, was as follows. Compensated absences are liquidated through sources from the general fund.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds payable	\$ 115,000	\$ -	\$ (10,000)	\$ 105,000	\$ 10,000
Compensated absences	<u>47,499</u>	<u>8,675</u>	<u>-</u>	<u>56,264</u>	<u>-</u>
Long-term liabilities	<u>\$ 162,499</u>	<u>\$ 8,675</u>	<u>\$ (10,000)</u>	<u>\$ 161,264</u>	<u>\$ 10,000</u>

**MOUNT CLEMENS PUBLIC LIBRARY**  
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**NOTES TO THE FINANCIAL STATEMENTS**

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**IV. OTHER INFORMATION**

**A. Risk Management**

The Library is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation), as well as medical benefits provided to employees. The Library has purchased commercial insurance for torts, errors, and omissions claims. The Library participates in the Middle Cities Risk Management Trust (risk pool) for claims relating to property and casualty, the Middle Cities Workers Compensation Fund for workers' compensation, and Blue Cross/Blue Shield for health care. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The shared risk pool program in which the Library participates operates as a common risk-sharing management program for school districts in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

**B. Operating and Maintenance Agreement**

The Library has entered into a contract with Mount Clemens Community Schools (the "District") under which the District will supply the Library with personnel, including benefits (other than accumulated vacation pay), and will act as the fiscal agent with respect to the operation and maintenance of the Library. The Library paid \$50,000 to the District for operation and maintenance services during the year ended June 30, 2006. The amount of future fees the Library will be required to pay to the District will be determined at appropriate junctures.

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## **INTERNAL CONTROL AND COMPLIANCE**



# REHMANN ROBSON

*Certified Public Accountants*

A member of THE REHMANN GROUP

An Independent Member of Baker Tilly International

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

August 18, 2006

To the Board of Trustees  
Mount Clemens Public Library  
Mount Clemens, Michigan

We have audited the financial statements of the governmental activities and the major fund of the ***Mount Clemens Public Library, Mount Clemens Michigan*** (the "Library") as of and for the year ended June 30, 2006, which collectively comprise the ***Library's*** basic financial statements and have issued our report thereon dated August 18, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered ***Library's*** internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the **Library's** financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the management and Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style with a large initial 'L'.